

2015 Town Budget

Recommendations and Comments



Advisory Budget Committee

Thursday, January 22, 2015

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To the Members of the Select Board, Town Administrator
Moultonborough Town Hall
Moultonborough, New Hampshire 03254

The ABC has completed its review of the 2015 proposed Town Budget. The Committee began its comprehensive review of the 2015 budgets with a full roster of delegates. During the year we welcomed Amanda Bergquist to fill the open member at large position and Linda Murray as an alternate at large. We continue to support and review opportunities to enhance services and consolidate operational efficiencies for the Town of Moultonborough as a whole. Of continued and growing concern to the Committee are the number and potential dollar impact of the various programs currently being promoted throughout the community. In addition, the Committee continues to express concern related to the changing town demographics. School enrollment has declined from 710 in 2005 to 521 (27%) at present. Enrollment is projected to further decrease an additional 100 students over the next five year period. The percentage of elderly population continues to increase.

The following report represents our independent opinions and suggestions of the majority of the Advisory Budget Committee Members. We note that selected opinions expressed in this report do not carry 100 % Committee support. Any opinions and suggestions offered by the ABC represent our best efforts to maximize efficiencies, spending power and to consolidate redundancies between the various elements of Town-wide Administration (Town, Library, and School). Our suggestions and opinions should not be viewed as a negative reflection of the dedicated work done by the Select Board Members, Town Administrator and Town Administrative Staff.

Budget Summary:

The proposed Town Budget for 2015 (including capital, net of Highway Block Grant, \$125,000 and \$206,500 of reserve withdrawals and application of \$50,000 fund balance) represents \$9,315,718 as compared to \$9,664,229 for the prior year 2014, representing a decrease of approximately \$348,500, (3.6%). Excluding the application of the fund balance of \$50,000 for purchase of a police cruiser projected in 2015 and \$300,000 for purchase of the Taylor Property and improvements to States Landing Beach in 2014, the tax levy budget is down (1.05%) or approximately \$98,500. The ABC further notes that this is the *seventh* consecutive year that the town budget has experienced a zero to nominal increase without compromise to long term investment plans in plant and equipment and ongoing maintenance programs. This proposed budget does include expense increases to cover step raises and salary adjustments for approximately 40 % of the staff (+\$30,000) or approximately 3% for employees receiving step raises and an across the board COLA of 1.0 % (+\$40,000), legal costs of (+\$20,000) due to cable franchise and collective bargaining negotiations, and capital outlays and contributions of 4.8 % (+\$75,000). The increases were offset by a reduction in Health Insurance costs due to a positive experience rating and the results of competitive bidding (-\$50,000), expiration of a DPW lease (-\$50,000), elimination of a tax software support license (-\$5,000), transfer of the cost of outside police detail expenditures to a separate revolving fund (-\$20,000), reduction in the Human Services budget (-\$10,000), Police Department elimination of the canine program (-\$22,000), and an increase in the employee contribution rate for benefits (-\$10,000). In addition, reductions were made to various line items in the following departmental budgets; Fire (-\$18,000), Consolidated DPW (-\$22,000), Town Clerk (-\$7,000), VNS (-\$5,000) and Transfer Station (-\$4,000).

Budgeted revenues for 2015 are \$2,299,860 versus a 2014 budget of \$2,215,660.00. All revenue lines were reviewed and appear reasonable.

OBSERVATIONS & COMMENTS:

The ABC would like to draw attention to the efforts undertaken this year by the Select Board, Town Administrator and Staff for their efforts to organize and coordinate programs to assess actual needs and formally begin the planning process for several of the major issues in Moultonborough that have been under discussion at various levels of intensity over the past few years. Specifically, the Moultonborough Village Vision Committee is tasked with providing both short and long range plans for direction and revitalization of the downtown Village District. A Broadband Working Group along with assistance from a team of specialists at the University of New Hampshire has assessed the requirements for expanding broadband services to the unserved and underserved areas of Moultonborough. The BRC/Gym feasibility study spearheaded by the University of New Hampshire studied the needs and requirements of additional recreation space for the Town of Moultonborough. In addition, a group of citizen volunteers began work on the reclamation of the States Landing Beach area. New tax software has been implemented which will facilitate electronic billing and payment, on line inquiry access and automated invoicing for multi-owner properties.

The ABC provides additional observations and comments on the following issues, some of which are repetitive from prior reports. It is the belief of this Committee that they are still valid and ongoing concerns:

- **Technology** – We believe the Town should consider consolidating all technology purchases and service under one contract. A set of standards should be developed for all computer purchases. A contract consolidating all purchases and service should be put out to open bid on a periodic rotation. Currently each department orders its technology equipment and related technical service independently. At some future point the Town should consider the cost effectiveness of hiring a full time technology professional. The committee notes that technology professionals are not inexpensive. It is the opinion of this committee that at this point in time a full time professional may not be cost effective.
- **Fund Balance** – Administration has recommended that the Fund Balance be raised from the current level of 11.5% of operating costs to 12.5%. DRA recommends that local communities maintain a fund balance in the range of 8% -17%. Maintaining a fund balance at the 11.5% level has proved challenging over the past few years. Due to a delay in the submission of Carroll County financial numbers to DRA, Moultonborough's annual tax rate approval has been pushed from August to November. This delay in setting the annual tax rate has delayed issuance of the annual second tax invoice to residents which in turn delays receipt of cash to the Town. At the 11.5 % fund balance rate the Town has run dangerously low of available free cash to cover expenses during the months of November and December. Raising the required Fund Balance rate to 12.5 % will help alleviate the situation. The ABC is in support of the recommended increase 12.5%. The ABC recommendation a few years back was to maintain the Fund Balance closer to the 15 % level. We believe the Town should continue over time to raise the rate closer to the 15% reserve level.
- **Recreation Revolving Fund** – We continue to support of the efforts made during the last three budget cycles to implement a viable business model for the utilization of the recreation revolving fund. We are pleased to see that this year's efforts reduced the balance by approximately \$30,000. We look forward to continued progress in the upcoming year. We need to collectively work to identify additional costs and programs that can utilize this fund. Suggestions for further reduction of this balance could include an allocation of time and benefits for hours spent by fulltime staff on programs and trips normally charged to the fund. Currently, the only salary related charges to this fund are for seasonal help directly associated with revenue generating programs. The Fund currently has a balance of approximately \$152,000. A reasonable ongoing balance for this fund should be in the range of \$50,000. It is unfortunate that the constraints placed on this fund will not allow excess funds to be returned to the General Fund for productive use elsewhere in the community.

- **Recreation Budget** –The Recreation department operating budget has consistently over the past several years been over budgeted between \$20,000 and \$30,000. The situation has occurred in part by budgeting all summer life guards at the highest pay grade assigned for the respective positions. The budget is based on an assumption that all Life Guards will return each year and therefore earn maximum pay. It is the opinion of this Committee that this budget could safely be reduced by a minimum of \$15,000 without compromising any existing or proposed programs.
- **Transfer Station** – During 2008/2009 the Municipal Building Needs Committee underwent a review of the transfer stations operations (including “single Stream recycling”). As a result of the review, changes intended to improve the safety and usability of the current facility were initiated by limiting resident access to the transfer station indoor work area, relieving some traffic at the recyclables windows, minimizing glass handling, improving signage for new, infrequent, and summer customers, and reducing the frequency of staff exposure to unsafe materials. The ABC believes it is time to again review operational efficiencies that will lower the overall cost to operate the facility. We believe that the Town should again explore “Single Stream Recycling” and the potential to outsource the overall management of the facility.
- **Human Resource Professional** – We continue to advocate that the combined Community, (Town School, Library) should hire a Municipal Human Resource professional. Combined Municipal (School, Town, Library) employees approximate 210 full time employees and 400 including seasonal, part time, coaches, substitute teachers, etc. In most organizations of this magnitude you would find at least one Human Resource professional. Given the mix of union and non- union employees, the litigious society we live in and the increasing social and employee benefit program mandates coming from Washington as well as State & Local governments; the Committee suggests that it may be time to evaluate the feasibility to add a Municipal Human Resource professional that could assist with employee policy development, training, employee issues (contract and non-contract) and interpretation and implementation of ever changing employee benefit regulations. We believe that the benefits generated by the expertise of this position over the course of a few years would outweigh the added cost of the position. At a minimum, the Town should consider a part time contract arrangement for professional services.
- **Health Benefits:** The increasing cost of health related benefits continues to be a nationwide concern for many. Implementation of the Affordable Care Act has caused uncertainty over the future cost of health insurance premiums and related employer Cadillac Taxes which will soon be assessed on programs such as the most prevalent one(s) available to the current staff. The ABC requests that the Town continue to undergo competitive analysis of its current “Benefits” package that covers both contractual and non-contractual positions. The ABC requests the Town specifically continue the focus on employee/employer benefit contribution rates and continue to seek alternatives for reducing the overall cost of health benefits while continuing to provide competitive coverage to its employees.
- **Succession Planning and Career Development** – The Committee notes that in the ensuing years several of the Town’s senior managers (elected and appointed) may choose to retire. We believe that the Board needs to put together a succession plan to fill positions as they become vacant with qualified replacements. Attrition is also an opportunity to reassess the positions to ensure that staffing, duties and direction are appropriate to meet current goals, objectives and direction.

Also, we recommend that the Board revisit the idea of changing selected elected positions to appointed positions. This would necessitate a Town Vote. We would propose such change only as the positions become vacant through attrition. If the Board were to adopt this suggestion we recommend that the plans and related votes be put in place prior to any anticipated retirements.

- **Reserves for Potential New Capital Projects** – As noted earlier there are several large dollar “nice to have” items that will come before the taxpayers at Town Meeting in the next few years. This Committee, as recommended above, would like the town leaders to come together to endorse a “vision” for the Community and define a timeline and incremental steps for achieving the vision before embarking on a campaign to proceed, in piecemeal fashion, implementation of various capital projects promoted by individual “Petition Warrant Articles”.

Considerable work has been done on this subject by the Capital Improvements Committee (CIPC) which was created to review capital expenditures over a five year period. The CIPC report with an analysis and recommendations of capital projects was presented to the Selectmen in December 2014. This report shows the amount and timeline for all town and school capital expenditures starting in 2015 and the reserves or new funding required to pay for the numerous projects submitted by the town and school managers. The report does not include projects that were presented by “Petition Warrant Articles” which would only be funded by additional tax levies. Capital projects brought forth via citizen petition warrant articles will result in year to year spikes in the tax rates. We strongly recommend that the Selectmen provide leadership in analyzing projects and establishing the necessary Capital Reserves to start funding some of the more viable requests to help avoid the foreseeable tax rate spikes.

- **Consolidation of Shared Services** - During the past several years several town departments along with the school have taken steps to consolidate and coordinate various functions. Specifically, the Road Agent, the Department of Public Works, the Transfer Station, Library and the School have worked together to achieve more efficient use of personnel and equipment. The ABC recommends that continued efforts, both on a short and medium term basis, be made to find additional savings. The Committee believes that there are economies of scale that could be gained by consolidating efforts for grounds and building maintenance, janitorial services, bulk purchasing of common supplies and consolidated contracts for utilities and Insurance. Other longer term opportunities might include consolidation of Town and School District business offices and human resource offices. The Committee would like to see the three groups continue their efforts to consolidate and collaborate where feasible.
- **Regionalization of Shared Services** –The Town has successfully regionalized its ambulance service over the past several years. More recently, the town has entered into a joint effort to eradicate Milfoil with Tufonboro and Wolfeboro, entered into a joint agreement to share Code Enforcement services with Holderness and has merged its’ Visiting Nurse program with Meredith/Center Harbor. The Committee continues to believe that there are other opportunities that could jointly benefit both the Town of Moultonborough and its neighboring communities (economically and through expanded service offerings). Other disciplines that may lend themselves to regionalization might include Town Prosecutor, Recreation, Senior Services, Welfare, Legal Services, Assessing, Police Dispatch and Waste Disposal. We encourage the Town to actively explore such opportunities.

Additionally, the town should continue to explore opportunities to combine services with County Administration and Operations where feasible. Moultonborough funds approximately 25% of the total County budget and should look to receive commensurate services.

Conclusion:

As stated above, the budget for 2015 as presented by the Town represents a nominal decrease of (1.05%) over the 2014 budget. We believe the departmental operating budgets as presented represent a fair assessment of the cost to operate the Town under its current organization.

Looking beyond the immediate dollar impact of the next twelve months operating budgets it is our observation that the major issues facing this Town include the number and potential dollar impact of the various programs currently being promoted throughout the Community and the continued decline of student enrollment. The ABC

believes these are Town-wide issues. Of notable concern to this committee, is the number and potential dollar impact of the various programs currently being promoted throughout the community. While we understand the Taxpayers right to bring select projects forth for vote via the "Petition Warrant Article," we note that potentially large dollar projects are bypassing the existing review and ranking procedures previously established by the Town.

We continue to believe that the Community will face ongoing challenges as school enrollments decline and the elderly population increases. It is our belief that the Town has opportunities to provide enhanced services at no added cost through improved cooperation between the elected bodies. Many of the opportunities have been discussed above and in our previous reports. The Committee strongly believes that these are town wide issues and the Community as a whole should come together and support the efforts currently underway. Our leaders should seek shared opportunities and interests that draw our school, retirement, business and summer lakefront communities together.

Respectfully submitted,

Jean Beadle, Chair – ABC

Moultonborough Advisory Budget committee

Members:	Alan Ballard	(Member at Large)
	Jean Beadle	(Member at Large)
	Amanda Bergquist	(Member at large)
	Linda Murray	(Alternate at Large)
	Kathy Garry	(School Board Representative)
	Barbara Sheppard	(Library Trustee Representative)
	Chris Shipp	(Select Board Representative)